



North Carolina Department of Health and Human Services
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Michael F. Easley, Governor

H. David Bruton, MD, Acting Secretary

February 7, 2001

MEMORANDUM

TO: HRI and PRTF Workgroup
Directors of Area Mental Health Programs
Directors of County Departments of Social Services
HRI Providers and Potential PRTF Providers
Youth Academy Directors
Chief Court Counselors
Other Interested Parties

FROM: James B. Edgerton, Deputy Secretary 

RE: High Risk Intervention-Residential

The Department has carefully reviewed the reimbursement of High Risk Intervention - Residential Services (HRI-R). This review was conducted by a group made up of staff from the Division of Medical Assistance, Division of Mental Health, the Department's Controller's office, and private providers. Initial discussions with service providers indicated that the greatest Medicaid rate concerns were with HRI-R Level III rates. These concerns have been carefully addressed by the study group. The study group performed in depth analysis on both actual cost of service and operating models. Based on the study group's recommendation, the following decisions have been made:

1. HRI-R Level III Rates

The following statewide Medicaid HRI per diem rates will be effective for services rendered on or after March 1, 2001:

	<u>Rate</u>	<u>Code</u>
HRI-R III, 4 beds or less	234	Y2348
HRI-R III, 5 beds or more	187	Y2349

The above rates do not include room and board. The per diem room and board rates are as follows:

	<u>Rate</u>
HRI-R III, 4 beds or less	43
HRI-R III, 5 beds or more	33

The above rates are peer grouped by size of facility, as recommended by the study group.

2. HRI-R Level IV Rates

Effective for services rendered on or after March 1, 2001 the HRI-R Level IV Medicaid rates and room and board rates will be the same as Level III, as shown above, subject to further review. The Medicaid HRI-R Level IV rates and codes effective for services rendered on or after March 1, 2001 are as follows:

<u>Rate</u>	<u>Code</u>		
HRI-R IV, 4 beds or less	234	Y2360	
HRI-R IV, 5 beds or more	187	Y2361	
HRI-R IV, 4 beds or less	43	Room and Board	
HRI-R IV, 5 beds or more	33	Room and Board	

3. HRI-R Level II Rates

The current HRI-R Level II Medicaid per diem rate of \$98.61 shall not change at this time. The study group noted above is currently studying this rate and any changes necessary to this rate shall be made after this study is complete. This study is expected to be completed in the near future.

For family foster home settings, the room and board rate will remain at the state board rate.

For residential settings, the room and board rate will remain at the state board rate.

4. Therapeutic Leave Days

The HRI-R Level III and IV Medicaid and room and board per diem rates presented above includes the impact of therapeutic leave days. Effective March 1, 2001, HRI-R providers may bill for therapeutic leave days.

Allowing the HRI-R provider to bill for therapeutic leave days generally results in the provider being paid for the days that they are responsible for the recipient and the therapeutic leave days are in the plan of care, but that the recipient is absent from the provider's residential setting. The Department will issue policy regarding therapeutic leave days in the near future.

5. Direct Care Staff Hourly Wage Rate

The HRI-R rates approved herein includes the provision for an average wage rate of \$9.00 per hour for direct care staff aides. HRI-R providers are required to file an annual cost report. The Department shall review the cost report to insure that proper direct labor reimbursement is made. Failure to properly expend direct labor reimbursement may result in reduction to the Medicaid rate. That is, if the wage rate for direct care staff aides is less than \$9.00 per hour, it may result in a reduced Medicaid rate.

6. Administrative Costs

The HRI-R rates are established at a level to cover reasonable costs in a facility setting. Any deduction from these rates to cover administrative costs in an area program will render the rates inadequate, therefore is not allowed. Rather, a work group consisting of representatives from DMA, DMH/DD/SAS, and area programs will begin meeting this week to determine an appropriate allocation of allowable administrative costs across Medicaid covered codes billed by area programs. Every effort will be made to complete this task before March 1, 2001, but regardless of the completion date, any resulting increases in Y code rates will be effective for services beginning March 1, 2001 in order to coincide with the effective date of the new HRI-R rates.

Special Instructions for County Departments of Social Services

The purpose of this section is to describe the financial responsibilities of a county Department of Social Services for a child in DSS custody who will be receiving Medicaid-funded residential treatment services when the new HRI rates become effective.

The first thing to understand is that the rates in this letter apply ONLY to room and board costs when Medicaid or At-Risk funds are paying for the treatment costs associated with a placement IN A RESIDENTIAL GROUP FACILITY. These new room and board rates do NOT apply to family foster home setting placements; therefore, these rates will remain at the standard board rate. There are NO changes in how the county DSS currently finances placements when Medicaid is NOT paying for the treatment costs associated with the placement.

For a child approved to receive Medicaid-funded HRI-R Level III services and when the child is in DSS custody, the county DSS is responsible for the room and board costs identified in this letter. The payment of room and board costs, along with Medicaid, will be considered payment in full to the treatment facility. The county DSS will receive partial reimbursement with federal and/or state funds for these costs. For County Departments of Social Services, the Department (State) has set aside a limited amount of State At-Risk Funds (\$750,000 for this state fiscal year) to cover the cost of room and board rates above the standard board rate for children in DSS custody who are not IV-E eligible. These additional funds will be paid to counties at the prevailing Federal Medical Assistance Percentage (FMAP) rate, which is currently 62.47%. Counties will pay the difference, which is currently 37.53%. Also for non-IV-E eligible children, Counties will be reimbursed for the standard board rate portion of the room and board with state funds (50%) as they are now with no change. The amount of funds to be set aside for subsequent fiscal years will be determined once annualized cost data is available. Additional information regarding reimbursement and reporting will be forthcoming to county DSS agencies in a Dear County Director Letter.

For a child approved to receive Medicaid-funded HRI-R Level II services, the county DSS is responsible for the room and board costs identified in this letter (Standard Board Rate established by the General Assembly). The Division of Social Services will continue to provide a maximization payment (IV-E or State Funds for participating agencies) toward any remaining balance between the DSS-established Facility Rate and the sum of the Medicaid payment and the Standard Board Rate payment. The provider may negotiate with the county DSS for any unrecovered costs that do not exceed the DSS-established Facility Rate.

Important Note: The county DSS should assure that any Level II or III residential treatment facility that provides care for children in DSS custody has a DSS-established Facility Rate. Any agencies that do not have an established DSS Facility Rate should contact Elsie Roane (919-733-4622 or elsie.roane@ncmail.net) in the state office immediately as the rate-setting process for next year has just begun.

Special Instructions for Area Mental Health Centers

Implementation of PRTF and changes to HRI-R services requires several changes effecting area mental health centers. Existing residential service codes must be expanded to accommodate the rate structure noted above. Effective March 1, 2001 Residential Treatment Level III will be replaced with new services:

- Residential Treatment Level III - 4 beds or less
- Residential Treatment Level III - 5 beds or more

Also, effective March 1, 2001 Residential Treatment Level IV will be replaced with:

- Residential Treatment Level IV – 4 beds or less
- Residential Treatment Level IV – 5 beds or more

No change will occur in Residential Services Level II codes. However the rate in the At-Risk Children system will be changed to agree with the Medicaid rate for Level II services.

ALL AT-RISK CHILDREN RESIDENTIAL RATES WILL BE THE SAME AS THE COMPARABLE MEDICAID RATE AS IDENTIFIED ABOVE.

In addition to the treatment codes, a new set of codes for Room and Board will be added to allow Area Programs to pay and bill for room and board for non-DSS custody children who are receiving Residential Treatment. These codes and applicable rates will be:

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| • Room and Board – Level II – Age 5 or less | \$315/month |
| • Room and Board – Level II – Ages 6-12 | \$365/month |
| • Room and Board – Level II – Ages 13 or Higher | \$415/month |
| • Room and Board – Level III/IV – 4 Beds or Less | \$43.00/day |
| • Room and Board – Level III/IV – 5 Beds or More | \$33.00/day |

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Please refer to the December 13, 2000 memorandum to Area Program Directors, Area Program Finance Officers, and Area Program Child and Family Coordinators from Charles Davis and Martha Kaufman, Re: Allocation of Children's Residential Treatment Funds and At-Risk Children's Funds, for additional discussion of the necessary changes. Also, you will be receiving more specific guidance from the DMH/DD/SAS relative to the new service codes, allocations, and other changes in the At-Risk Children's program.

It is the Department's intent for the rates described above for Medicaid and At-Risk Program residential services to be paid in full to actual providers without reduction by the Area Program for administrative overhead. Thus, whether the service is billed directly by the provider to Medicaid, or billed by the Area Program to Medicaid or the At-Risk Program, 100% of the rate shall be paid to the provider.

Appropriations related to this residential service initiative are for SFY 2000-2001 only. Future levels of funding for SFY 2001-2002 forward are subject to adjustment and contingent upon availability of funds.

If you have any questions, please contact one of the following individuals:

Division of Mental Health	Tara Larson: Tara.Larson@ncmail.net
	Charles Davis: Charles.Davis@ncmail.net
	Martha Kaufman: Martha.Kaufman@ncmail.net
Division of Social Services.....	Chuck Harris: Chuck.Harris@ncmail.net
Division of Medical Assistance	Carol Robertson Carol.Robertson@ncmail.net

cc:	Art Robarge	Chip Modlin	Nancy Coston	Charles Davis
	Donn Hargrove	Gary Fuquay	Jack Chappell	Dick Perruzi
	Daphene Lyon	Allen Gambill	Allen Guffey	Jim Panton
	Tom Washburn	Paul Lesieur	Phillip Hoffman	Michael Schweitzer
	Tara Larson	Martha Kaufman	Chuck Harris	Carol Robertson

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